

Message Text

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ACTION TRSE-00

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E.O. 11652 N/A
TAGS: EFIN, IMF, LI
SUBJECT: VISIT OF IMF MISSION TO LIBERIA

REF: MONROVIA A-35 OF AUGUST 4, 1977

1. ACCORDING TO DEPUTY MINISTER OF FINANCE FOR FISCAL AND BANKING AFFAIRS ELLEN JOHNSON-SIRLEAF, AN IMF MISSION SPENT A FEW DAYS IN MONROVIA DURING THE WEEK OF AUGUST 15 TO EVALUATE THE GOL'S LONG TERM REVENUE AND EXPENDITURE TRENDS. SIRLEAF ASKED THE IMF MISSION ABOUT LIBERIA'S ELIGIBILITY FOR THE FUND'S COMPENSATORY FINANCING FACILITY IN VIEW OF IT'S DECLINING IRON ORE EXPORTS. SHE WAS INFORMED THAT SINCE LIBERIA STILL ENJOYS A COMFORTABLE TRADE SURPLUS, THIS FACILITY COULD NOT BE EXTENDED AT THIS TIME. WHEN A/DCM ASKED ABOUT THE \$15 MILLION BUDGET DEFICIT, SHE DECLARED THAT THIS DEFICIT HAD BEEN DELIBERATELY PLANNED. SHE MENTIONED THAT THE DEFICIT WAS SMALL AND COULD BE FINANCED BY ONE OR MORE WAYS: 1) ADVANCES FROM THE NATIONAL BANK OF LIBERIA, 2) USING PROCEEDS FROM THE PARTIALLY UTILIZED \$30 MILLION EURODOLLAR BANK LOAN, AND 3) ISSUANCE OF TREASURY BILLS AND/OR CERTIFICATES. SHE SAID SHE WAS ALSO COUNTING ON THE NEW INCOME TAX LAW TO GENERATE MORE REVENUE THAN UNDER THE OLD TAX LAW. SIRLEAF FEELS CONFIDENT THAT SHE HAS THE FISCAL SITUATION WELL UNDER CONTROL.

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2. ON THE OTHER HAND, LOCAL AMERICAN BANKERS ARE BECOMING ANXIOUS THAT THE MINISTRY OF FINANCE IS NOT KEEPING ON TOP OF THE FISCAL SITUATION AS FAR AS GOVERNMENT- GUARANTEED BANK LOANS ARE CONCERNED. ONE BANK HAS BEEN APPROACHED BY A GOVERNMENT CORPORATION FOR TWO MEDIUM TERM BANK LOANS. WHEN THESE REQUESTS WERE CHECKED OUT WITH THE MINISTRY OF FINANCE, THE LATTER WAS TOTALLY UNINFORMED ABOUT SUCH LOAN REQUESTS.

THE COMMERCIAL BANKS WILL ONLY EXTEND LOANS TO GOVERNMENT
CORPORATIONS WITH A GOVERNMENT GUARANTEE. WHAT WORRIES THE
BANKERS IS THAT NO ONE IN THE MINISTRY OF FINANCE SEEMS TO
KNOW PRECISELY THE MAGNITUDE OF THESE GOVERNMENT GUARANTEED
LOANS AND THE CONTINGENT LIABILITY THE GOVERNMENT THEREBY MAY
HAVE ASSUMED. THE BANKERS ARE TAKING A CAUTIOUS ATTITUDE AND
GENERALLY EXTENDING ONLY SHORT TERM SELF-LIQUIDATING LOANS.
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